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ARTICLES OF INCORPORATION

OF

MERION HOMEOWNERS ASSOCIATION, INC.

In compliance with the requirements of Chapter 55A of the North Carolina General Statutes, the undersigned, a natural person of full age, has this day executed these Articles of Incorporation for the purposes of forming a non-profit corporation and hereby certifies:

ARTICLE I

The name of the corporation is Merion Homeowners Association, Inc., hereinafter sometimes called the "Association."

ARTICLE II

The principal and registered office of the Association is located at 4101 Lake Boone Trail, Suite 300, Raleigh, North Carolina 27607. (Wake County)

ARTICLE III

Eric R. Spence, whose address is 4101 Lake Boone Trail, Suite 300, Raleigh, North Carolina 27607, is hereby appointed the initial Registered Agent of this Association.

ARTICLE IV

This Association does not contemplate pecuniary gain or profit to the members thereof and no part of the Association's net income shall inure to the benefit of any of its officers, directors or members or any other private individual. The purposes and objects of the corporation shall be to administer the operation and management of Merion Subdivision (hereinafter called "Subdivision"), a residential subdivision to be established in accordance with the laws of the State of North Carolina upon property more particularly described in Schedule "A" attached hereto and incorporated herein by reference, and such other Property which may subsequently be annexed or subjected to the provisions of the Declaration; to undertake the performance of the acts and duties incident to the administration of the operation and management of said subdivision in accordance with the terms, provisions, conditions, and authorizations contained in these Articles of Incorporation and which will be recorded in the Public Records of Wake County, North Carolina; and to own, operate, lease, sell, trade and otherwise deal with such property, whether real or personal, as may be necessary or convenient in the administration of said Subdivision, all subject to the ordinances of the County of Wake, North Carolina.

ARTICLE V

The Corporation shall have the following powers:

1. The Corporation shall have all of the powers and privileges granted to Non-Profit Corporations under the law pursuant to which this Corporation is chartered and all of the powers and privileges which may be granted unto said Corporation under any other applicable laws of the State of North Carolina.

2. The Corporation shall have all of the powers reasonably necessary to implement and effectuate the purposes of the Corporation, including the following powers:

(a) To make and establish reasonable rules and regulations governing the use of the Lots and Common Area in the Subdivision as said terms may be defined in said Declaration of Covenants, Conditions, and Restrictions for Merion Subdivision recorded in Book 8990, page 1093, and as re-recorded in Book 9030, page 2313, Wake County Registry ("Declaration").

(b) To levy and collect assessments against members of the Corporation to defray the Common Expenses of the Subdivision as may be provided in said Declaration and in the Bylaws of this Corporation which may be hereafter adopted, including the right to levy and collect assessments for the purposes of acquiring, operating, leasing, managing and otherwise trading and dealing with such property, whether real or personal, including the Lots and Common Area, which may be necessary or convenient in the operation and management of the subdivision and in accomplishing the purposes set forth in said Declaration, all subject to the ordinances of the County of Wake, North Carolina.

(c) To maintain, repair, replace, operate and manage the Subdivision and the property comprising same, including the Common Area, all Amenities constructed thereon, and all property, real or personal, located within the sign easements and any utility easements reserved on any recorded map of the Subdivision, including the right to reconstruct improvements after casualty, to make further improvement of the subdivision property and to make and enter into any and all contracts necessary or desirable to accomplish said purposes.

(d) To contract for the management of the subdivision and to delegate to such contractor all of the powers and duties of the Association except those which may be required by the Declaration to have approval of the Board of Directors or membership of the Corporation.

(e) To acquire and enter into, now or at any time hereafter, leases and agreements whereby the Association acquires leaseholds, memberships and other possessory or use interests in land or facilities including, but not limited to, swimming pools, tennis courts, and other recreation facilities, whether or not contiguous to the lands of the Subdivision, to provide enjoyment, recreation or other use or benefit to the owners of Lots.

(f) To enforce the provisions of the Declaration, these Articles of Incorporation, the Bylaws of the Corporation which may be hereafter adopted, and the rules and regulations governing the use of the subdivision as the same may be hereafter established.

(g) To exercise, undertake and accomplish all of the rights, duties and obligations which may be granted to or imposed upon the Corporation pursuant to the Declaration.

ARTICLE VI

The qualification of the members, the manner of their admission to membership and termination of such membership, and voting by members shall be as follows:

1. The Owners of all Lots shall be members of the Corporation, and no other person or entity shall be entitled to membership, except as provided in item (5) of this Article VI.

2. Membership shall be established by the acquisition of the fee title to a Lot, or by acquisition of a fee ownership interest therein, whether by conveyance, devise, judicial decree or otherwise, and the membership of any party shall be automatically terminated upon his being divested of all title to or his entire fee ownership interest in any Lot, except that nothing herein contained shall be construed as terminating the membership of any party who may own two or more Lots, or who may own a fee ownership interest in two or more Lots, so long as such party shall retain title to or a fee ownership interest in any Lot.

3. The interest of a member in the funds and assets of the Corporation cannot be assigned, hypothecated or transferred in any manner, except as an appurtenance to his Lot. The funds and assets of the Corporation shall belong solely to the Corporation subject to the limitation that the same be expended, held or used for the benefit of the membership and for the purposes authorized herein, in the Declaration and in the Bylaws which may be hereafter adopted.

4. On all matters upon which the Class A members shall be entitled to vote, each Lot owned by a Class A member shall have one (1) vote. On all matters upon which the Class B member is entitled to vote, each Lot owned by the Class B member shall have three (3) votes. The vote(s) of each Lot may be cast or exercised by the Owner or Owners of each Lot in such manner as may be provided in the Bylaws hereafter adopted by the Corporation. Should any member own more than one Lot, such member shall be entitled to exercise or cast the votes associated with each Lot owned in the manner provided by said Bylaws.

5. The membership of the Corporation shall be composed of the three (3) individuals named in Article XI hereof as the initial Board of Directors of the Corporation, and each such individual shall be entitled to cast one vote on all matters on which the membership shall be entitled to vote.

ARTICLE VII

The Corporation shall have perpetual existence.

ARTICLE VIII

The affairs of the Corporation shall be managed by the President of the Corporation, assisted by the Vice President, Secretary and Treasurer and Assistant Secretaries and Assistant

Treasurers, if any, subject to the directions of the Board of Directors. The Board of Directors, or the President with the approval of the Board of Directors, may employ a Managing Agent and/or such other managerial and supervisory personnel or entities to administer or assist in the administration of the operation and management of the Subdivision, and the affairs of the Corporation, and any such person or entity may be so employed without regard to whether such person or entity is a member of the Corporation or a Director or Officer of the Corporation, as the case may be.

ARTICLE IX

The number of members of the first Board of Directors of the Corporation shall be three (3). The number of members of succeeding Board of Directors shall be as provided from time to time by the Bylaws of the Corporation. The members of the Board of Directors shall be elected by the members of the Corporation at the Annual Meeting of the membership as provided by the Bylaws of the Corporation, and at least a majority of the Board of Directors shall be members of the Corporation or shall be authorized representatives, officers or employees of a member of the Corporation. Notwithstanding the foregoing, for a period ending one hundred twenty (120) days after the Developer ceases to own twenty-five percent (25%) or more of the Units in the subdivision, but in any event no later than December 31, 2012, Developer shall have the right to designate and select a majority of the persons who shall serve as members of the Board of Directors of the Corporation. Developer may designate and select the person or persons to serve as a member or members of said Board of Directors in the manner provided in the Bylaws of the Corporation, and such person or persons so designated and selected need not be a resident of the subdivision, or a member of the Association.

ARTICLE X

The Board of Directors shall elect a President, Vice-President, Secretary and Treasurer, and as many Assistant Secretaries and Assistant Treasurers as the Board of Directors shall determine. The President shall be elected from among the membership of the Board of Directors but no other officer need be a Director. The same person may hold two offices, the duties of which are not incompatible; provided, however, that the office of President and Vice-President shall not be held by the same person, nor shall the office of President and Secretary or Assistant Secretary be held by the same person.

ARTICLE XI

The names and post office addresses of the initial Board of Directors who, subject to the provisions of these Articles of Incorporation, the Bylaws, and the laws of the State of North Carolina, shall hold office until the first Annual Meeting of the membership (or until their successors are elected and qualified or appointed by the Developer as provided in Section IX hereof) are as follows:

	Names	Addresses
1.	<u>Charles R. Manning, III</u>	<u>5801 Lease Lane</u> <u>Raleigh, NC 27613</u>
2.	<u>Paul H. Downs</u>	<u>2813 Charleston Oaks Dr.</u> <u>Raleigh, NC 27614</u>
3.	<u>Ron Mikesch</u>	<u>1506 Doughton Street</u> <u>Raleigh, NC 27613</u>

ARTICLE XII

The original Bylaws of the Corporation shall be adopted by a majority vote of the Board of Directors of the Corporation present at a meeting at which a majority of the members of the Board is present, and thereafter, such Bylaws may be altered or rescinded only in such manner as said Bylaws may provide.

ARTICLE XIII

Every Director and every Officer of the Corporation shall be indemnified by the Corporation against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a Director or Officer of the Corporation, whether or not he is a Director or Officer at the time such expenses are incurred, except in such cases wherein the Director or Officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that, in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the Director or Officer seeking such reimbursement or indemnification, the indemnification herein shall only apply if the Board of Directors approves such settlement and reimbursement as being in the best interests of the Corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or Officer may be entitled. The foregoing right of indemnification shall not include indemnification from liability resulting from being a member of the Association.

ARTICLE XIV

An amendment or amendments to these Articles of Incorporation shall require the assent of two-thirds (2/3) of the membership.

No amendment to these Articles of Incorporation which shall abridge, amend or alter the right of Developer to designate and select members of each Board of Directors of the Corporation, as provided in Article XI hereof, may be adopted or become effective without the prior written consent of Developer.

ARTICLE XV

The Association may be dissolved with the assent given in writing and signed by not less than two-thirds (2/3) of the voting members. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, upon the consent of the Wake County Attorney or his or her deputy, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to such similar purposes.

ARTICLE XVI

The name and address of the incorporator is as follows:

Eric R. Spence, Esq.
Wyrick Robbins Yates & Ponton LLP
4101 Lake Boone Trail, Suite 300
Raleigh, North Carolina 27607

ARTICLE XVII

All capitalized terms herein are as defined in the Declaration.

IN WITNESS WHEREOF, I, the undersigned incorporator, have hereunto set my hand
this 9th day of August, 2001.


Eric R. Spence, Esq. **INCORPORATOR**

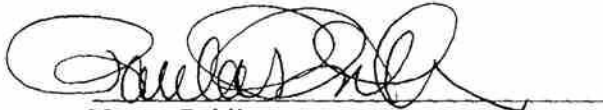
NORTH CAROLINA

WAKE COUNTY

I, PAULA P. SMITH, a Notary Public of Wake County, North Carolina, do hereby
certify that Eric R. Spence personally appeared before me this day and acknowledged the due
execution of the foregoing Articles of Incorporation.

Witness my hand and notarial seal, this the 9th day of August, 2001.

PAULA P. SMITH
Notary Public
WAKE COUNTY, N.C.
My Commission Expires _____


Notary Public

My Commission expires:

Jan 8, 2004